

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
MOLOKAI PUBLIC UTILITIES, INC.)
For Approval of Changes to)
Its Tariff.)
_____)

DOCKET NO. 03-0127

DECISION AND ORDER NO. 20459

Filed September 22, 2003
At 11:00 o'clock A.M.

DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

2003 SEP 22 P 3:41

RECEIVED

[Signature]
Chief Clerk of the Commission

ATTEST: A True Copy
KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.

[Signature]
Acting Administrative Director

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In the Matter of the Application of)	
MOLOKAI PUBLIC UTILITIES, INC.)	Docket No. 03-0127
For Approval of Changes to)	
Its Tariff.)	Decision and Order No. 20459
_____)	

DECISION AND ORDER

I.

On April 21, 2003, MOLOKAI PUBLIC UTILITIES, INC. ("MPUI"), filed Transmittal No. 03-01 ("Tariff Transmittal"), requesting commission approval to amend its rules and regulations currently on file with the commission. Commission authorization is sought pursuant to Hawaii Revised Statutes ("HRS") § 269-16 and Hawaii Administrative Rules ("HAR") § 6-61-111. MPUI proposes an effective date of May 21, 2003.

MPUI served copies of the Tariff Transmittal on the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate"). On May 7, 2003, the Consumer Advocate filed a preliminary statement of position expressing concern with the Tariff Transmittal. By Order No. 20191, filed on May 9, 2003, the commission suspended the Tariff Transmittal for further review. The Consumer Advocate served information requests ("IRs") on MPUI on May 21, 2003. MPUI responded to the IRs on June 4, 2003. On August 5, 2003,

the Consumer Advocate filed its statement of position ("SOP") wherein it stated that it does not object to the commission's approval of the application, with certain modifications, as discussed below.

II.

A.

MPUI is a public utility providing residential water service to hotels, golf courses, commercial establishments, residential condominiums, and single-family homes on the west end of the island of Molokai. By Decision and Order No. 20342, filed on July 18, 2003, as amended by Order No. 20356, filed on July 31, 2003, in Docket No. 02-0371, the commission granted MPUI's request for a rate increase and revised rate schedule ("Decision and Order No. 20342"). By Order No. 20353, filed on July 24, 2003, in the same docket, the commission approved MPUI's revised rate schedule.

In its Tariff Transmittal, MPUI requests approval to: (1) re-format its rules and regulations, and incorporate certain other non-substantive changes; (2) revise Rule V of the tariff to give it the ability to increase the amount of a customer's deposit, presently \$50, to an amount equal to a delinquent customer's previous outstanding balance where service has been discontinued for non-payment of a water bill; (3) revise Rule XVIII to prohibit future grounding of alternating current secondary circuits to the water system; (4) include a new Rule XXXIV to provide for contribution in aid of construction

("CIAC"); and (5) revise MPUI's Exhibit "A" to allow MPUI to charge for temporary use of fire hydrant water.

B.

MPUI's Proposal to Increase Customer Deposits

MPUI states that allowing it to increase a customer's deposit in the case of delinquent bills will allow MPUI a cushion against the credit risk posed by a customer whose service previously has been discontinued for non-payment of its bill. The Consumer Advocate notes that the present deposit of \$50 has been in place for over 20 years. Lot sizes in MPUI's service area can be as large as 40 acres, resulting in significant water consumption and potentially large delinquent water bills.¹ Based upon a review of MPUI's customer bill amounts, and confirmation of high water consumption and resulting large monthly bills, the Consumer Advocate determined that MPUI's proposal to increase the current deposit amount was reasonable.

In addition, upon a review of MPUI's proposal to correspond the increased customer deposit to the amount of a customer's delinquent bill, the Consumer Advocate determined this proposal to be reasonable. Given the relatively small size of MPUI and the potentially large customer delinquencies, the Consumer Advocate believes that allowing MPUI the flexibility in determining customer deposits would benefit not only MPUI, but

¹The Consumer Advocate notes that a delinquent account of \$5,000 is not remarkable, and represents a significant portion of MPUI's monthly revenues.

also would protect MPUI's ratepayers by limiting the amount of bad debt MPUI would incur.

In a related matter, the Consumer Advocate notes that MPUI does not provide for the accrual of interest during the time that MPUI holds a customer's deposit. The Consumer Advocate will not, however, pursue the matter of interest accrual on deposit amounts at this time, but reserves its right to revisit this matter in the future.

C.

Electrical Grounding

MPUI is amending its present Rule XVIII to prohibit any grounding of alternating current secondary distribution circuits to any portion of the water system.² MPUI asserts that the prohibition is necessary to minimize corrosion to its water lines, and because of the incorporation of a significant amount of non-metallic pipes and appurtenances to the water system.

The Consumer Advocate determined that it does not appear that MPUI's proposed revision will adversely affect either new or existing customers. The Consumer Advocate believes the proposed revision of Rule XVIII to be reasonable, and will not object to its approval by the commission.

²MPUI will add the following to its Rule XVIII: "No grounding of alternating current secondary distribution circuits to any portion of the water system shall be permitted."

D.

CIAC

MPUI proposes to add a new rule to its tariff, Rule XXXIV, which provides that for new customers, or existing customers who significantly increase their water use, a non-refundable CIAC must be paid to MPUI to compensate for the cost for MPUI to acquire and/or construct the necessary facilities to supply the new or increased water service. MPUI is establishing this new rule to recover the costs of providing additional water resources when new lots are created, or when existing customers significantly increase their water usage.³

While the Consumer Advocate recognizes that the inclusion of existing water users in a CIAC provision is unusual, it also acknowledges that MPUI's intent in implementing this provision is to address the possible increased water consumption caused by existing lot owners, who may in the future subdivide their existing lots.⁴ It therefore concludes that the CIAC provision for new customers, and existing customers who may develop their land, Rule XXXIV(3)(a), is justified.

The Consumer Advocate has some concerns with the section of MPUI's proposed Rule XXXIV change that would impact

³MPUI asserts that it currently has a single water source to service all of its customers, with a limited supply of water. There are two situations which would result in increased water usage for existing customers: (1) an existing lot is subdivided into smaller lots requiring MPUI to develop additional water sources; and (2) a present customer significantly increases its water use.

⁴Upon a review of the tax map keys attached to MPUI's proposed tariff, the Consumer Advocate notes that many customers of MPUI hold large parcels of land.

existing users who significantly increase their water usage.⁵ MPUI defines a significant increase in water as (1) if the moving annual average of billed water use exceeds the Water Consumption Rate by 10 per cent, or (2) the water use rate in any two successive billing periods exceeds 1.5 times the Water Consumption Rate.⁶ The Consumer Advocate believes that this provision would be difficult to administer.⁷ For example, many of the residents in MPUI's water service area are part-time residents, thus making it difficult to establish an accurate record of water use. Thus, the Consumer Advocate recommends that MPUI eliminate Rule XXXIV(3)(c) and that if necessary, this proposal be revisited in MPUI's next rate proceeding.⁸ We agree with this recommendation. The Consumer Advocate also states that it discussed this recommendation with MPUI, and that MPUI does not object to the elimination of Rule XXXIV (3)(c).⁹

⁵Rule XXXIV(3)(c).

⁶The Water Consumption Rate as set forth in Rule XXXIV for a single family residential household is 1,000 gallons per day ("GPD"). Based on this formula, if a residential customer's water use exceeds 1,100 GPD or 1,500 GPD in two successive months, this would indicate a significant increase of water use.

⁷In addition, as stipulated to in Decision and Order No. 20342, customers who use in excess of 5,000 GPD are currently billed a conservation charge per month, per 1,000 gallons, for each 1,000 gallons above the 5,000 GPD.

⁸The Consumer Advocate did not have any other concerns regarding MPUI's computing of its CIAC, including the \$10 cost per day per gallon charge to develop additional sources of water, and MPUI's use of a Consumer Price Index factor in the CIAC formula to account for the effect of inflation on its costs.

⁹In addition to the elimination of Rule XXXIV(3)(c), MPUI made other clarifications to Rule XXXIV to which the Consumer Advocate, upon review, does not object.

Accordingly, we conclude that MPUI's tariff should be revised to reflect the elimination of Rule XXXIV (3)(c).

E.

Water Taken from Fire Hydrants

MPUI proposes to charge for water taken on a temporary basis from its fire hydrants. The charge for this temporary use will be the sum of the applicable meter charge, plus the effective monthly water consumption rate.¹⁰ This charge is intended to recoup expenses associated with water taken by contractors for construction purposes, e.g., dust control. The temporary status would end when a permanent meter is put in place and providing service. MPUI asserts that this provision is more to deter theft than it is to generate revenue. The Consumer Advocate does not object to the establishment of this temporary fire hydrant water use charge.

III.

Upon a thorough review of the record, we find MPUI's request to amend its rules and regulations reasonable. The changes to MPUI's tariff will allow MPUI, as a relatively small water company, to operate more efficiently given the unique circumstances inherent in its water service area. The changes will also protect MPUI's ratepayers by reducing MPUI's financial risk, and in the case of the prohibition on new electrical

¹⁰Effective July 24, 2003, the monthly water consumption charge per 1,000 gallons is \$4.70.

grounding, protecting the water system by minimizing corrosion to the water lines. Nonetheless, we also agree with the Consumer Advocate's reservations and recommended revision. We, thus, conclude that MPUI's request for commission approval to amend its rules and regulations, currently on file with the commission, should be approved, subject to the reservations and revision, as noted above.

IV.

THE COMMISSION ORDERS:

1. MPUI's request for approval to amend its rules and regulations, filed on April 21, 2003, by: (1) re-formatting its rules and regulations and incorporating certain non-substantive changes; (2) revising Rule V of its tariff to give it the ability to increase the amount of a customer's deposit to an amount equal to a delinquent customer's previous outstanding balance where service has been discontinued due to non-payment of a water bill; (3) revising Rule XVIII to prohibit future grounding of alternating current secondary circuits to the water system; (4) including a new Rule XXXIV, excluding section (3)(c), as discussed above, to provide for CIAC; and (5) revising Exhibit "A" to allow MPUI to charge for the temporary use of fire hydrant water, is approved, subject to the reservations and revision discussed herein.

2. The commission and the Consumer Advocate reserve their right, in the future, and if necessary, to revisit, among other things, the issue of interest accrual on customer deposits,


and the appropriateness of including Rule XXXIV(3)(c) in MPUI's next rate proceeding.

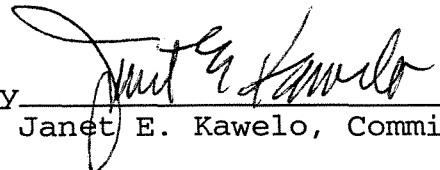
3. Within 15 days from the date of this decision and order, MPUI shall file with the commission the appropriate revised tariff sheets, consistent with the terms of this decision and order.

DONE at Honolulu, Hawaii this 22nd day of September, 2003.

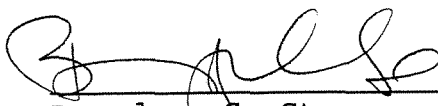
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
Wayne H. Kimura, Commissioner

By 
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:


Benedyne S. Stone
Commission Counsel

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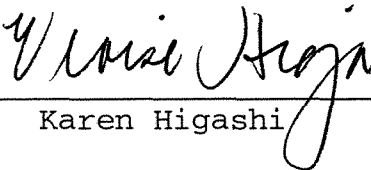
CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 20459 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

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Karen Higashi

DATED: September 22, 2003